

**Financial Statements of the
BOUNTIFUL WATER SUBCONSERVANCY
DISTRICT**

Bountiful, Utah

For the year ended December 31, 2006 and 2005

Including

**Independent Auditor's Reports,
Management's Discussion and Analysis, and
Supplemental Information**

BOUNTIFUL WATER SUBCONSERVANCY DISTRICT

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Baird, Rasmussen & Associates, PC

Certified Public Accountants and Business Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Bountiful Water Subconservancy District
Bountiful, Utah

We have audited the accompanying statements of financial position of the Bountiful Water Subconservancy District (the "District"), as of December 31, 2006 and 2005, and the related statements of revenues, expenditures and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bountiful Water Subconservancy District as of December 31, 2006 and 2005, and the changes in its net assets and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis listed in the table of contents is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board ("GASB"). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2007, on our consideration of Bountiful Water Subconservancy District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Baird, Rasmussen & Associates, P.C.

Baird, Rasmussen & Associates, P.C.
February 7, 2007

BOUNTIFUL WATER SUBCONSERVANCY DISTRICT

Management's Discussion and Analysis December 31, 2006, 2005, and 2004

As management of Bountiful Water Subconservancy District we present to the readers of our financial statements this discussion and analysis of the District's financial performance for the fiscal years ended December 31, 2006, 2005 and 2004.

FINANCIAL STATEMENTS

The District's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States, promulgated by the Governmental Accounting Standards board (GASB). The District reports as a single enterprise fund. Revenues are recognized when earned and expenses are recognized in the period in which they are incurred. See the notes to the financial statements for a summary of the District's significant accounting policies.

	2006	2005	2004
ASSETS			
Current assets	\$ 4,689,534	\$ 5,069,281	\$ 4,824,954
Capital assets	3,105,053	2,486,665	2,343,596
Total assets	<u>\$ 7,794,587</u>	<u>\$ 7,555,946</u>	<u>\$ 7,168,550</u>
LIABILITIES			
Current liabilities	\$ 75,988	\$ 70,715	\$ 48,236
Total liabilities	<u>75,988</u>	<u>70,715</u>	<u>48,236</u>
NET ASSETS			
Invested in capital assets	3,105,053	2,486,665	2,343,596
Unrestricted	4,613,546	4,998,566	4,776,718
Total net assets	<u>7,718,599</u>	<u>7,485,231</u>	<u>7,120,314</u>
Total liabilities and net assets	<u>\$ 7,794,587</u>	<u>\$ 7,555,946</u>	<u>\$ 7,168,550</u>

Financial Analysis (increases and decreases are approximated)

The decrease of current assets of \$380,000 in 2006 compared to 2005 can be attributed to a land purchase for our new office location and also improvements made to the system on the Bountiful Boulevard project and the 200 West Project from Pages Lane to 1000 North. The increase of \$326,000 in current assets in 2005 compared to 2004 can be attributed to the interest revenue from the sale of water rights of \$123,000 and an increase in cash and prepaid water costs from normal operations.

The increase of capital assets of \$620,000 in 2006 compared to 2005 is attributed to the purchase of 2.17 acres of land at 995 South 500 West in Bountiful where we will relocate in the future. Also contributing to this increase were the continuing improvements made to the water system of \$432,000 less associated depreciation of \$191,000. The increase of approximately \$143,000 in capital assets in 2005 compared to 2004 is due to the continuing addition, replacement, and improvement of the District's water pipeline distribution system and equipment less the associated depreciation cost of \$188,000 for 2005.

BOUNTIFUL WATER SUBCONSERVANCY DISTRICT

Management's Discussion and Analysis – Continued December 31, 2006, 2005, and 2004

The increase of \$5,000 in current liabilities in 2006 compared to 2005 is due to increases in accrued compensated absences of \$10,000 and a reduction of accounts payable of \$5,000. The increase of \$22,000 in current liabilities in 2005 compared to 2004 is due to accrued compensated absences of approximately \$15,000, for an additional employee eligible for retirement, and accounts payable of \$7,000.

CHANGE IN NET ASSETS

	2006	2005	2004
Operating revenues	\$ 1,251,522	\$ 1,268,178	\$ 1,135,310
Operating expenses	(1,411,387)	(1,316,338)	(1,244,962)
Operating Loss	(159,865)	(48,160)	(109,652)
Non-operating revenues	393,233	413,077	3,084,292
Net income	233,368	364,917	2,974,640
Total net assets:			
Beginning of year	7,485,231	7,120,314	4,145,674
End of year	\$ 7,718,599	\$ 7,485,231	\$ 7,120,314

SUMMARY OF REVENUES

	2006	2005	2004
Operating:			
Water assessments	\$ 1,230,453	\$ 1,233,416	\$ 1,116,135
Miscellaneous income	21,069	34,762	19,175
Total Operating	1,251,522	1,268,178	1,135,310
Non-operating:			
Property tax revenues	212,195	250,791	256,796
Interest income	183,790	127,781	24,197
Gain (loss) on sale of assets	(2,752)	34,505	2,803,299
Total non-operating	393,233	413,077	3,084,292
Total revenues	\$ 1,644,755	\$ 1,681,255	\$ 4,219,602

The decrease of \$15,000 in operating revenue during 2006 compared to 2005 is due to the decrease in miscellaneous income related to new construction. Total water delivered in 2006 was 11,852 acre-feet, an increase of about 1,020 acre-feet over 2005 due to the dry year in 2006 where there was little rain. The increase of \$130,000 in operating revenue during 2005 compared to 2004 is due to the increase in water rates assessed to the districts customers. This was the fifth year of a five year plan to bring all customers to an equal payment for equal property plan. Total water delivered in 2005 was 10,832 acre-feet as compared to 10,433 acre-feet the prior year.

The decrease of \$20,000 in non-operating revenue during 2006 as compared to 2005 is due to changes in estimates of property tax revenues. The decrease of \$2,670,000 in non-operating revenue during 2005 compared to 2004 is mainly due to the one time sale of water rights in 2004.

BOUNTIFUL WATER SUBCONSERVANCY DISTRICT

Management's Discussion and Analysis – Continued December 31, 2006, 2005, and 2004

SUMMARY OF EXPENSES

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Operating:			
Direct operating and maintenance	\$ 768,858	\$ 725,387	\$ 854,885
General and administrative	230,317	205,096	207,499
Depreciation and amortization	<u>412,212</u>	<u>385,855</u>	<u>182,578</u>
Total expenses	<u>\$ 1,411,387</u>	<u>\$ 1,316,338</u>	<u>\$ 1,244,962</u>

The increase of \$95,000 in operating expenses during 2006 compared to 2005 is due to the increased cost of water of \$20,000, as well as, legal fees associated with the purchase of land for our future business location of \$12,000. Increases in wages and payroll benefits of \$45,000 also increased the total operating expenses. The increase of approximately \$70,000 in operating expenses during 2005 compared to 2004 is mainly due to increased water costs and legal fees.

CAPITAL ASSET ACTIVITY

During 2006, the District expended \$415,000 on water system improvements. The two major projects were on Bountiful Boulevard and also 200 West from Pages Lane to 1000 North.

During 2005 the District expended \$188,000 on water system rehabilitation. The most significant expenditures were for 1800 South, 900 East, 2150 South, 2100 South Circle and 400 East.

During 2004 the District expended \$149,000 on water system rehabilitation including Davis Boulevard (400 East and 2200 South line relocation), Lake View Drive and Debra Circle (line rehabilitation), and Cassidy Circle (saddle replacements).

REQUESTS FOR INFORMATION

This financial report is designed to give readers a general overview of the District's finances. Questions regarding any information contained in this report or requests for additional information should be addressed to the District Manager, 385 West 500 South, Bountiful, UT 84010.

BOUNTIFUL WATER SUBCONSERVANCY DISTRICT

Statements of Net Assets December 31, 2006 and 2005

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,015,194	\$ 4,406,773
Accounts receivable - property taxes	40,390	50,069
Accounts receivable - water assessments	204,577	177,918
Inventory - construction and maintenance materials	22,368	27,516
Prepaid water	407,005	407,005
Total current assets	<u>4,689,534</u>	<u>5,069,281</u>
PROPERTY AND EQUIPMENT, AT COST		
Pressure irrigation system	6,276,043	5,860,656
Land, building and equipment	<u>1,222,998</u>	<u>907,513</u>
Total property and equipment	7,499,041	6,768,169
Accumulated Depreciation	<u>(4,393,988)</u>	<u>(4,281,504)</u>
Net property and equipment	<u>3,105,053</u>	<u>2,486,665</u>
Total assets	<u>\$ 7,794,587</u>	<u>\$ 7,555,946</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 2,654	\$ 8,211
Accrued salaries and wages	13,553	14,079
Accrued payroll taxes and benefits	6,615	5,230
Accrued compensated absences	<u>53,166</u>	<u>43,195</u>
Total current liabilities	<u>75,988</u>	<u>70,715</u>
NET ASSETS		
Invested in capital assets	3,105,053	2,486,665
Unrestricted	<u>4,613,546</u>	<u>4,998,566</u>
Total net assets	<u>7,718,599</u>	<u>7,485,231</u>
Total liabilities and net assets	<u>\$ 7,794,587</u>	<u>\$ 7,555,946</u>

The notes to the financial statements are an integral part of this statement.

BOUNTIFUL WATER SUBCONSERVANCY DISTRICT

Statements of Revenue, Expenses and Changes in Net Assets For the Years Ended December 31, 2006 and 2005

	2006	2005
REVENUES		
Water Assessments	\$ 1,230,453	\$ 1,233,416
Miscellaneous income	21,069	34,762
Total Operating Revenues	<u>1,251,522</u>	<u>1,268,178</u>
EXPENSES		
<u>Direct operating and maintenance expenses</u>		
Cost of Water	407,005	385,974
Payroll, payroll taxes and benefits	412,212	385,855
Depreciation	191,293	188,942
Repairs and maintenance	114,037	95,645
Reservoir use charge	16,555	16,555
Gas and oil	18,132	13,510
Miscellaneous expenses	7,103	4,538
Travel and conventions	5,098	8,845
Safety and other equipment	4,642	6,428
Heat and lights	2,816	2,996
Linen	2,177	1,954
Total direct operating and maintenance expenses	<u>1,181,070</u>	<u>1,111,242</u>
<u>General and administrative expenses</u>		
Payroll, payroll taxes and benefits	144,294	133,743
Insurance and bonds	31,387	29,761
Accounting and legal	32,768	20,609
Advertising	5,075	3,408
Office supplies	3,460	4,724
Travel and conventions	3,407	5,582
Heat and lights	2,709	2,111
Dues and subscriptions	3,703	2,561
Other	1,443	891
Telephone	2,071	1,706
Total general and administrative expenses	<u>230,317</u>	<u>205,096</u>
Total operating expenses	<u>1,411,387</u>	<u>1,316,338</u>
OPERATING INCOME (LOSS)	<u>(159,865)</u>	<u>(48,160)</u>
OTHER REVENUES		
Property tax assessments	212,195	250,791
Gain/(Loss) on sale of assets	(2,752)	34,505
Interest on investments	183,790	127,781
Total other revenues	<u>393,233</u>	<u>413,077</u>
INCREASE IN NET ASSETS	233,368	364,917
BEGINNING NET ASSETS	7,485,231	7,120,314
ENDING NET ASSETS	<u>\$ 7,718,599</u>	<u>\$ 7,485,231</u>

The notes to the financial statements are an integral part of this statement.

BOUNTIFUL WATER SUBCONSERVANCY DISTRICT

Statements of Cash Flows

For the Years Ended December 31, 2006 and 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Water sales	\$ 1,203,794	\$ 1,302,560
Miscellaneous income	21,069	34,762
Payments for purchase of water	(407,005)	(407,004)
Payments to vendors	(256,992)	(225,977)
Payments for salaries, wages and benefits	(545,676)	(504,490)
Net cash provided by operating activities	<u>15,190</u>	<u>199,851</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes collected	<u>221,874</u>	<u>239,313</u>
Net cash provided by noncapital financing activities	<u>221,874</u>	<u>239,313</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to property and equipment	(812,433)	(307,511)
Installment payments received related to disposition of water rights	-	931,165
Proceeds from disposition of property and equipment	-	10,005
Net cash provided (used) by capital and related financing activities	<u>(812,433)</u>	<u>633,659</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>183,790</u>	<u>127,781</u>
Net cash provided by investing activities	<u>183,790</u>	<u>127,781</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>(391,579)</u>	<u>1,200,604</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,406,773</u>	<u>3,206,169</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 4,015,194</u>	<u>\$ 4,406,773</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ (159,865)	\$ (48,160)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	191,293	188,942
(Increase) decrease in		
Accounts receivable - water assessments	(26,659)	69,144
Inventory - construction and maintenance materials	5,148	(11,524)
Prepaid water	-	(21,030)
Increase (decrease) in		
Accounts payable	(5,557)	7,371
Accrued payroll	(526)	(4,060)
Accrued payroll taxes and benefits	1,385	4,928
Accred compensated absences	9,971	14,240
Net cash provided by operating activities	<u>\$ 15,190</u>	<u>\$ 199,851</u>
NON-CASH TRANSACTIONS AFFECTING FINANCIAL POSITION		
Gain/loss on sale of assets	\$ (2,752)	\$ 24,500

The notes to the financial statements are an integral part of this statement.

BOUNTIFUL WATER SUBCONSERVANCY DISTRICT

Notes to the Financial Statements

For the Years Ended December 31, 2006 and 2005

NOTE 1 – SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

History and Business Activities

The Bountiful Water Subconservancy District (the District) was organized in 1954 for the purpose of providing pressurized irrigation (secondary) water to the residents of Bountiful City, Woods Cross City, West Bountiful City and Centerville City.

The District is governed by a five member Board of Directors. Each of the five directors is appointed by the Davis County commission. Members of the Board of Directors serve four-year terms and may be reappointed to an unlimited number of additional terms.

Reporting Entity

Based on the criterion identified in the Governmental Accounting Standards Board Statement No. 17, management has determined that the District is not a component unit of another government; therefore, the District is not reported as a component unit and is not included in the general purpose financial statements of any other government entities.

Basis of Accounting

The District is a governmental unit that is accounted for as a proprietary fund. Proprietary funds involve business/enterprise type activities. The District follows accounting principles generally accepted in the United States of America applicable to a governmental entity, which includes pronouncements of the Governmental Accounting Standards Board ("GASB"). In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to follow all Financial Accounting Standards Board ("FASB") Statements, Accounting Principles Board ("APB") Opinions, and Accounting Research Bulletins ("ARB"), issued after November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The District follows the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis—For State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Disclosures*. These statements require governmental entities to provide additional accrual-basis statements and schedules to better communicate the financial status of the governmental entity.

The District's records are maintained on the accrual method of accounting for external reporting purposes. Under this method revenues are recorded when earned and expenses are recognized when they are incurred.

Water Assessments

Water assessment revenues are collected and remitted with property taxes by the Davis County Treasurer as an agent for the District. Assessments are recorded annually when assessment amounts are reported to the County to be included in the current year property taxes.

Property Taxes

Property tax revenues are collected and remitted with water assessments by the Davis County Treasurer as an agent for the District.

BOUNTIFUL WATER SUBCONSERVANCY DISTRICT

Notes to the Financial Statements – Continued
For the Years Ended December 31, 2006 and 2005

Budgetary Accounting

The District is required by state statute to adopt a budget prior to the beginning of each fiscal year. The District prepares and reports its budget on a modified accrual basis and its general purpose financial statements on an accrual basis.

Bad Debt and Allowance for Doubtful Accounts

The District does not record bad debt expense or an allowance for doubtful accounts on the delinquent fees. Unpaid fees are certified to the County and liens are attached to the related real estate.

Inventory Valuation

Inventory is stated on a weighted average basis and is valued at the lower of cost or market.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all investment instruments purchased with an original maturity of three months or less are considered to be cash equivalents.

Classification of Revenue

- *Operating revenues* – Operating revenues include activities that have the characteristics of exchange transactions such as water sales revenue.
- *Non-operating revenues* – Non-operating revenues include activities that have the characteristics of non-exchange transactions and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB Statement No. 34. Examples of non-operating revenues would be property tax revenues, interest income and gain or loss on sale of assets.

Depreciation Methods

Property and equipment are depreciated using the straight-line method over their estimated useful lives. The pressurized irrigation system is being depreciated over 50 years, buildings and building improvements over 5 to 50 years, land improvements over 15 years, and tools and equipment over 2 to 30 years.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements included those assumed in computing property tax revenues and amounts receivable from the Davis County Treasurer for property taxes and water assessments receivable. It is at least reasonably possible that the significant estimates used will change within the next year.

Net Assets

The District's net assets are classified as follows:

- *Invested in capital assets*—This component of net assets consists of the District's total investment in capital assets, net of accumulated depreciation. If the District had Debt associated with these assets then the component would be shown as net of the related debt.
- *Unrestricted*—This component of net assets consists of net assets that do not meet the definitions of "invested in capital assets."

BOUNTIFUL WATER SUBCONSERVANCY DISTRICT

Notes to the Financial Statements – Continued
For the Years Ended December 31, 2006 and 2005

Capital Assets

The cost of additions and major replacements to the pressurized irrigation system is capitalized. The District defines capital assets as assets with an initial, individual cost of more than \$500. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits, overhead, and interest on funds borrowed to finance construction. The District did not capitalize interest during fiscal years 2006 and 2005. The cost and accumulated depreciation of property sold and retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the nonoperating section of the statements of revenues, expenses and changes in net assets. The cost of current repairs, maintenance, and minor replacements is charged to expense.

NOTE 2 – CASH AND INVESTMENTS

Deposits for the District are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, “the ACT”) and by rules of the Utah Money Management Council (“the Council”). Following are discussions of the District’s exposure to various risks related to its cash management activities.

Custodial Credit Risk

Deposits. Custodial Credit risk for deposits is the risk that, in the event of a bank failure, the District’s deposits may not be recovered. The District’s policy for managing custodial credit risk is to adhere to the Act; which requires all deposits of local government to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Council. As of December 31, 2006, of the District’s bank balances, totaling \$5,443, none were uninsured or uncollateralized.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds invested.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District’s policy for reducing its exposure to credit risk is to comply with the Act.

The District is authorized to invest in the Utah Public Treasurer’s Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants’ average daily balances.

For the year ended December 31, 2006 the District had investments of \$3,825,822 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

BOUNTIFUL WATER SUBCONSERVANCY DISTRICT

Notes to the Financial Statements – Continued
For the Years Ended December 31, 2006 and 2005

NOTE 3 – UNCONDITIONAL PURCHASE OBLIGATIONS

Water Purchase Contracts

The District is obligated by six different contracts to purchase a total of 17,500 acre feet of water per year from the Weber Basin Water Conservancy District. The District is obligated to pay the total contract amount regardless of usage. Each contract is for a term of 60 years with the initial contract beginning in the year 1959 and the final contract ending in the year 2036.

Payment on the water contracts is determined by the Weber Basin Water Conservancy District based on various fixed “per acre foot” charges plus variable operating and maintenance costs associated with the water delivery. The District’s total fixed and variable contract obligations were \$407,005 and \$385,974 for the years ended December 31, 2006 and 2005 respectively.

Required fixed payments on all water purchase contracts as of December 31, 2006 are as follows:

Year ended December 31, 2007	\$	69,000
2008		69,000
2009		69,000
2010		69,000
2011		69,000
Thereafter		1,071,750
Total of required fixed payments	\$	<u>1,416,750</u>

Reservoir Usage Obligations

The District is obligated through the year 2025 to pay Weber Basin Water Conservancy District annual payments of \$16,555 for the use of eight equalizing reservoirs. The District paid reservoir usage obligation of \$16,555 in each year ended December 31, 2006 and 2005.

NOTE 4 – COMPENSATED ABSENCES

The District’s employee benefits policy allows employees to accumulate benefits for unused vacation and sick leave to be paid upon termination or retirement. The accrued liabilities at December 31, 2006 and 2005 are reflected on the accompanying balance sheets as “accrued compensated absences.”

NOTE 5 – PROPERTY TAX CALENDAR

Lien Date	January 1
District notifies the County of date, time and place of public hearings	March 1
County Auditor sends valuation, certified tax rate, and levy worksheets to District	June 8
District must adopt a proposed tax rate, certify the rate and levy, and submit to the County Auditor	Before June 22
District adopts a final tax rate	June 22

Copy of budget is submitted to State Auditor within 30 days of adoption.

BOUNTIFUL WATER SUBCONSERVANCY DISTRICT

Notes to the Financial Statements – Continued For the Years Ended December 31, 2006 and 2005

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

The changes in property, plant, and equipment for the year ended December 31, 2006, are as follows:

	12/31/2005	Increase	Decrease	12/31/2006
Capital assets not depreciated:				
Land	\$ 12,000	\$ 380,360	\$ -	\$ 392,360
Total capital assets not depreciated	12,000	380,360	-	392,360
Other capital assets:				
Buildings and improvements	179,549	-	-	179,549
Machinery and equipment	206,002	11,055	(27,139)	189,918
Transportation and equipment	440,241	-	(45,765)	394,476
Furniture and fixtures	69,721	5,631	(8,657)	66,695
Pressure irrigation system	5,860,656	415,387	-	6,276,043
Total other capital assets	6,756,169	432,073	(81,561)	7,106,681
Less accumulated depreciation for:				
Buildings and improvements	(130,185)	(4,804)	-	(134,989)
Machinery and equipment	(144,068)	(12,389)	24,387	(132,070)
Transportation and equipment	(253,826)	(43,668)	45,765	(251,729)
Furniture and fixtures	(21,689)	(9,065)	8,657	(22,097)
Pressure irrigation system	(3,731,736)	(121,367)	-	(3,853,103)
Total accumulated depreciation	(4,281,504)	(191,293)	78,809	(4,393,988)
Total capital assets, net	\$ 2,486,665	\$ 621,140	\$ (2,752)	\$ 3,105,053

The changes in property, plant, and equipment for the year ended December 31, 2005, are as follows:

	12/31/2004	Increase	Decrease	12/31/2005
Capital assets not depreciated:				
Land	\$ 12,000	\$ -	\$ -	\$ 12,000
Total capital assets not depreciated	12,000	-	-	12,000
Other capital assets:				
Buildings and improvements	179,549	-	-	179,549
Machinery and equipment	171,264	35,281	(543)	206,002
Transportation and equipment	409,963	98,817	(68,539)	440,241
Furniture and fixtures	59,976	9,745	-	69,721
Pressure irrigation system	5,672,488	188,168	-	5,860,656
Total other capital assets	6,493,240	332,011	(69,082)	6,756,169
Less accumulated depreciation for:				
Buildings and improvements	(126,350)	(3,835)	-	(130,185)
Machinery and equipment	(132,297)	(12,314)	543	(144,068)
Transportation and equipment	(271,784)	(50,581)	68,539	(253,826)
Furniture and fixtures	(14,808)	(6,881)	-	(21,689)
Pressure irrigation system	(3,616,405)	(115,331)	-	(3,731,736)
Total accumulated depreciation	(4,161,644)	(188,942)	69,082	(4,281,504)
Total capital assets, net	\$ 2,343,596	\$ 143,069	\$ -	\$ 2,486,665

BOUNTIFUL WATER SUBCONSERVANCY DISTRICT

Notes to the Financial Statements – Continued For the Years Ended December 31, 2006 and 2005

NOTE 7 – LOCAL GOVERNMENTAL – COST SHARING PENSION PLAN

Plan Description

The District contributes to the Local Governmental Noncontributory Retirement System of the Utah Retirement Systems (Noncontributory System) which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement System (Systems). The System provides retirement benefits, annual cost of living allowances, death benefits, and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the System, the Office, and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor.

They Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah, 84102 or by calling 1-800-365-8772.

The District also participates in a 457 Deferred Compensation Plan and a 401(k) Defined Contribution Plan. The plan is available to all employees who meet certain age and length of service eligibility requirements. Mandatory contributions to the 401(k) plan were required by Board resolution for certain employees who were employed as of December 31, 1986. Voluntary salary deferred contributions may be made to the 457 plan and to the 401(k) plan by all eligible employees.

Funding Policy

The District is required to contribute a percent of covered salary to the retirement system as long as it has employees meeting membership requirements. The employer contribution rates in effect for the calendar year 2006 for the "local Governmental – Non Contributory System" were 11.090% from January 2006 to June 2006 and 11.590% from July 2006 to December 2005. The contribution rates are actuarially determined rates and are approved by the Board as authorized by Chapter 49. The contributions were equal to the required contributions for each year.

BOUNTIFUL WATER SUBCONSERVANCY DISTRICT

Notes to the Financial Statements – Continued For the Years Ended December 31, 2006 and 2005

Contributions

The required contributions and amounts paid to the Systems by the District for 2006 calendar year and the two previous calendar years are as follows:

<u>System</u>	<u>Year Ended 12/31</u>	<u>Employee paid Contributions</u>	<u>Employer paid for Employee Contributions</u>	<u>Employer Contributions</u>	<u>Salary Subject to Retirement Contributions</u>
Noncontributory System:					
Local Governmental Division					
	2006	\$ -	\$ -	\$ 33,871	\$ 298,677
	2005	-	-	30,772	277,477
	2004	-	-	27,746	271,207
Defined contribution system:					
457 Plan	2006	\$ 750	\$ 4,833		
	2005	4,200	4,502		
	2004	2,250	4,603		
401(k) Plan	2006	\$ 6,550	\$ 17,446		
	2005	7,400	16,213		
	2004	6,000	15,808		

NOTE 8 – PRIOR PERIOD ADJUSTMENT

In the prior year the District overstated receivables for water assessments, an asset of \$97,321 and revenue on the Statement of Revenues, Expenses and Changes in Net Assets. Also, the District overstated accounts payable, a liability of \$31,387 and the expense on the Statement of Revenues, Expenses and Changes in Net Assets. An adjustment was made in the current year to correctly report the receivable and payable on the Statement of Net Assets and reduce the aforementioned revenue and expense accounts. The result of the adjustment is a decrease in current assets and an increase in net loss for 2005 of \$65,934.

Baird, Rasmussen Associates, PC

Certified Public Accountants and Business Advisors

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Bountiful Water Subconservancy District
Bountiful, Utah

We have audited the financial statements of Bountiful Water Subconservancy District as of and for the year ended December 31, 2006, and have issued our report thereon dated February 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bountiful Water Subconservancy District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bountiful Water Subconservancy District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, and the State of Utah and is not intended to be and should not be used by anyone other than these specified parties.

Baird, Rasmussen & Associates, P.C.

Baird, Rasmussen & Associates, P.C.
February 7, 2007

Baird, Rasmussen & Associates, PC

Certified Public Accountants and Business Advisors

REPORT ON STATE LEGAL COMPLIANCE

To the Board of Directors
Bountiful Water Subconservancy District
Bountiful, Utah

We have audited the basic financial statements of the Bountiful Water Subconservancy District, as of and for the year ended December 31, 2006, and have issued our report thereon dated February 7, 2007. Our audit included test work on the District's compliance with those general compliance requirements identified in the State of Utah Legal compliance Audit Guide, including:

Cash Management	Other General Compliance
Purchasing Requirements	Other Development Fees
Truth in Taxation and Property Tax Limitation	Budgetary Compliance
Special Districts	

The District did not receive any major or non-major State grants during the year ended December 31, 2006.

The management of the Bountiful Water Subconservancy District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *State of Utah Legal Compliance Audit Guide*. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Bountiful Water Subconservancy District, complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2006.

Baird, Rasmussen & Associates, P.C.

Baird, Rasmussen & Associates, P.C.
February 7, 2007